

STATE OF SOUTH CAROLINA

South Carolina Electric & Gas Company Request for
Approval of Contract for Electric Service with The Boeing
Company.

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2011 - 203 - E

229832
229833-
Confidential
Request

(Please type or print)

Submitted by: K. Chad Burgess
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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

- ☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously
- ☐ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input checked="" type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input checked="" type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		



K. Chad Burgess
Associate General Counsel

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May 18, 2011

VIA HAND DELIVERY

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive (29210)
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: South Carolina Electric & Gas Company
Request for Approval of Contract for Electric Service with The Boeing Company

Dear Ms. Boyd:

In 2009, The Boeing Company ("Boeing") announced that it had chosen North Charleston, South Carolina to serve as the locale for a second final assembly site for its 787 Dreamliner program. Shortly thereafter, Boeing began construction of its 787 Dreamliner Final Assembly Building ("FAB") at the North Charleston site along with other associated buildings (together, the "Plant") necessary to support its 787 Dreamliner program. After completion of the approximate 1.1 million square-foot FAB, which Boeing expects to occur later this month, Boeing will perform final assembly and deliver 787s from North Charleston to its customers around the world. According to a report prepared by Miley & Associates, Inc. for The Alliance for South Carolina's Future, the total investment in the project will exceed \$1 billion and is expected to generate approximately 3,800 direct new jobs.

Boeing's North Charleston Plant, including the FAB, is located wholly within the electric service territory of South Carolina Electric & Gas Company ("SCE&G"). Accordingly, SCE&G is the exclusive provider of electric service to the Boeing facility.

Boeing is committed to making its products and services environmentally progressive. In furtherance of that objective, Boeing, in late 2010, expressed to SCE&G its preference that all the electricity necessary to power the Plant be supplied by renewable energy resources and inquired as to whether SCE&G could assist Boeing in reaching its goal. In response to the request of its customer, SCE&G worked closely with Boeing and formulated a plan satisfying Boeing's requirements for a 100% renewable energy site.

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After extensive dialogue, negotiation and effort, Boeing and SCE&G entered into a Contract for Electric Service ("Contract") dated April 19, 2011, whereby the Plant will be powered by a solar-to-electric generation facility ("PV System") along with additional energy generated by SCE&G's system resources coupled with renewable energy certificates from SCE&G's renewable generating facility.¹ A summary of the key terms and provisions of the Contract is set forth below.

Under the Contract and in order to meet Boeing's goal that 100% of the Plant's energy requirements be supplied from a renewable energy source, SCE&G will construct, own, operate and maintain a PV System on the roof of the FAB. The PV System will consist of thin-film solar laminate panels and provide up to 2.6 megawatts of electrical power for the site; however, none of the electricity generated by the PV System will flow onto SCE&G's system. All the power produced by the PV System will be consumed at the Plant. The solar installation, which is capable of generating enough energy to power 250 homes, will be the largest in the Southeast by production capacity and the sixth largest in the United States. SCE&G anticipates that it will begin providing electric service to Boeing under the Contract on July 1, 2011, with the PV System targeted for substantial completion by October 31, 2011.

Notwithstanding the energy production capability of the PV System, Boeing and SCE&G do not expect the PV System to generate sufficient electricity to meet all the power needs at the Plant. Consequently, it will be necessary for SCE&G to supplement the power from the PV System with electricity generated by SCE&G system resources coupled with renewable energy certificates from SCE&G's renewable generating facility, to meet all of Boeing's energy requirements.

Under the Contract, SCE&G will provide electric service to Boeing pursuant to the Company's retail electric rate schedule entitled "Rate 23 – Industrial Power Service" as currently approved by the Public Service Commission of South Carolina ("Commission"). At the outset, Boeing will be billed at a rate which consists of a basic facilities charge, an energy charge, and a demand charge--all determined in accordance with Rate 23--and an economic development credit. Thereafter, Boeing will be billed for electricity under Rate 23.

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¹ This Contract supersedes the contract for electric service between SCE&G and Vought Aircraft Industries, Inc. See Commission Order No. 2005-728 dated December 16, 2005, issued in Docket No. 2005-383-E. In 2009, Boeing acquired Vought Aircraft Industries, Inc.

In addition to Rate 23 itself, there are two riders to the Contract, namely, "Rider 1 – Design, Procurement, Installation, Operation and Maintenance of Photovoltaic System" and "Rider 2 – Green Power." Under Rider 1 and in consideration of SCE&G's investment in the PV System, Boeing will pay SCE&G a monthly charge for twenty years to cover the costs associated with installing, owning, operating and maintaining the PV System.

As stated above, Boeing and SCE&G do not expect the PV System to generate sufficient electricity to meet all the power needs at the Plant. Therefore, it will be necessary for SCE&G to supplement the power from the PV System with electricity generated by SCE&G's system resources coupled with renewable energy certificates from SCE&G's renewable generating facility and the market, if necessary. This energy is referred to as "green power." Under Rider 2, Boeing will pay SCE&G for the green power that SCE&G supplies to the Plant for a minimum of three years beginning July 1, 2011. At the conclusion of the initial three-year term, Rider 2 may be extended on a year-to-year basis at Boeing's request.

Commission regulations require that all schedules of rates or contracts involving rates must be approved by the Commission before becoming effective unless otherwise exempt from approval by law. *See* 26 S.C. Code Ann. Regs. 103-303 (1976, as amended). In this instance, Boeing approached SCE&G seeking assistance in obtaining 100% of the power that Boeing will consume from renewable energy sources. Because customer service is one of SCE&G's core values, SCE&G set out to tailor a workable solution that met Boeing's needs while simultaneously ensuring that SCE&G's other customers were not harmed, directly or indirectly, as a result of Boeing's request. The Contract and its terms represent a solution satisfactory to Boeing and SCE&G and ensure that none of SCE&G's other customers are contributing to or otherwise subsidizing the efforts of SCE&G to meet Boeing's renewable energy needs. Instead, 100% of the agreed costs of the PV system are the responsibility of Boeing. Simply put, the Contract will not adversely impact SCE&G's other customers. Therefore, SCE&G respectfully requests that the Commission approve the Contract and to assure timely implementation of the Contract, SCE&G also requests that the Commission issue its order approving the Contract with an effective date no later than July 1, 2011.

As part of this request, SCE&G is filing a redacted public version and an unredacted confidential version of the Contract. Due to the commercial sensitivity and proprietary nature of certain provisions of this Contract as well as the highly competitive nature of the industry in which Boeing operates, SCE&G and Boeing respectfully request that the Commission find that the Contract contains protected information and issue a protective order barring the disclosure of this agreement under the Freedom of Information Act, S.C. Code Ann. §§ 30-4-10 *et seq.*, 26 S.C. Code Ann. Regs. 103-804(S)(1), or any other provision of law. Pursuant to S.C. Code Ann. Regs. 103-804(S)(2), the determination of whether a document may be exempt from disclosure is within the Commission's discretion.

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In furtherance of our request to protect from disclosure this Contract and in accordance with Commission Order No. 2005-226, dated May 6, 2005, in Docket No. 2005-83-A, we enclose with this letter a redacted version of the Contract that protects from disclosure the sensitive, proprietary and commercially valuable information, while making available for public viewing non-protected information. We also enclose in a sealed envelope marked 'CONFIDENTIAL' a copy of the unredacted confidential version of Contract. SCE&G respectfully requests that, in the event that anyone should seek disclosure of this unredacted Contract, the Commission notify SCE&G of such request prior to any such disclosure and provide it with a reasonable opportunity to obtain an order from this Commission or a court of competent jurisdiction protecting the Contract from disclosure.

Enclosed are the following:

- (1) A true and correct copy of the Contract in a sealed envelope marked 'CONFIDENTIAL.' Each page of the Contract is also marked 'CONFIDENTIAL.'
- (2) Ten copies of a redacted version of the Contract for filing and public disclosure.

By copy of this letter, we are providing the South Carolina Office of Regulatory Staff ('ORS') with a redacted copy of the Contract for its records. Additionally, SCE&G will make the original, unredacted copy of the Contract available to ORS for its review.

The request for relief set forth herein will not involve a change to any of SCE&G's retail rates or prices, or require any change in any Commission rule, regulation or policy. Accordingly, neither notice to the public at-large, nor a hearing is required regarding this request.

Thank you for your assistance and consideration of this matter. If you have any questions, please do not hesitate to contact us.

Very truly yours,


K. Chad Burgess

KCB/kms
Enclosures

cc: Jeffrey M. Nelson, Esquire
John W. Flitter
(both via hand delivery)